



United States
Department of
Agriculture

Farmers
Home
Administration

Washington
D.C.
20250

FmHA AN No. 2568 (1924)

June 20, 1992

SUBJECT: Consideration of Conservation Reserve Program
Payments for Borrowers Who Apply for Primary
Loan Servicing

TO: State Directors, District Directors, and
County Supervisors

PURPOSE/INTENDED OUTCOME:

The purpose of this Administrative Notice (AN) is to establish a clear policy on the consideration of Conservation Reserve Program (CRP) payments for borrowers who apply for Primary Loan Servicing (PLS). The intended outcome is to be certain that these payments are properly considered in the Farm and Home Plan, Form FmHA 431-2, so that the borrower does not receive unauthorized loan servicing assistance. This AN is being issued as the result of an Office of the Inspector General audit.

COMPARISON WITH PREVIOUS AN:

There is no previous AN on this subject.

IMPLEMENTATION RESPONSIBILITIES:

Whenever a borrower applies for PLS, either because of a delinquency notice or voluntarily, CRP payments will be included on line 3 in Table J of the Farm and Home Plan, Form FmHA 431-2 or in the appropriate place on an equivalent plan. If Farmers Home Administration (FmHA) has an assignment on the CRP payments, then this will be reflected in the "SOURCE OF FUNDS" column of Table K, showing that the CRP payments are being applied to a specific FmHA loan. The CRP payment will also be identified on Form FmHA 1962-1 in conformance with the Farm and Home Plan. However, depending on the amount of the borrower's income, the borrower may be entitled to release part or all of the CRP payment for essential family living and farm operating expenses. See FmHA Instruction 1962-A, Section 1962.17(b)(2) for guidance on releasable income and essential expenses. Also, based on the recent changes to the feasible plan definition contained in Section 1951.906 of FmHA Instruction 1951-S, FmHA now assumes that a borrower needs up to 105 percent of the scheduled payments on all debts for the planned period in order to meet the obligation and continue farming.

EXPIRATION DATE: June 30, 1993

FILING INSTRUCTIONS:
Preceding FmHA
Instructions 1924-B




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Secretary of Agriculture, Washington, D.C. 20250

If FmHA does not have an assignment on the CRP payment, then it is not required that the payment be identified in Table K, although the borrower may show the CRP payment being applied to one of the debts. Whether or not FmHA has an assignment on the CRP payment, the payment will still be included in Conservation and Other Farm Income which may be subject to the release obligation as explained above.

ANY REVISIONS OR MODIFICATIONS TO THIS AND THAT YOU WISH TO PUBLISH AS A STATE DIRECTIVE MUST BE SUBMITTED AND APPROVED BY THE ASSISTANT ADMINISTRATOR OF FARMER PROGRAMS BEFORE IT IS RELEASED FOR IMPLEMENTATION IN YOUR STATE. THE ONLY EXCEPTION TO THIS REQUIREMENT IS WHEN THE REVISION OR MODIFICATION IS NECESSARY FOR COMPLIANCE WITH STATE LAW.

If you have any questions, please contact Charles W. Thompson, Farmer Programs Loan Servicing and Property Management Division, at FTS 690-4011.


LA VERNE AUSMAN
Administrator

Sent by Time Delay Option to States at 10:30 a.m. on 6/24/92;
to Districts at 12:30 p.m. on 6/24/92; and to Counties at
2:30 p.m. on 6/24/92 by GSS.